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MART

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CONSUMER ELECTRONICS

MART JANUARY 1982

Zenith's Fisher sees '82 video sales up, up, up

The VCR seems to have captured the imagination of the buying public: Zenith's president

Walter Fisher has been in the appliance/consumer electronics industry for almost three decades. In searching his memory, he does not recall a time during this period in which the industry has been so challenged by inflationary pressures, tight money, and high interest rates.

In an exclusive interview with MART, *the veteran industry executive looked back at last year and ahead into 1982.*

Fisher has been associated with Zenith since 1961; he was named president of Zenith Sales Co. in 1968, and is also executive vice president, sales and marketing, for parent company Zenith Radio Corp. It is believed he is the longest-term top sales and marketing executive in the consumer electronics industry.

If you had 1981 to live over again, Walter, what would you do differently?

That's a difficult question. If I, representing Zenith, had 1981 to live over again, well . . . Zenith tried very hard to lead this industry into a more sensible pricing pattern, to increase revenue and profit potentials, because the industry badly needs it. Last year was not a good year for television manufacturers—how could it be when we are one industry that cannot reflect in end pricing any of the economic inflationary pressures?

We are making available better and better merchandise, higher-quality merchandise, but we have not been able to price at all to reflect inflationary pressures.

In 1981 Zenith tried to lead the industry into reasonable price increases, to increase revenues that were badly needed to support research and development and to support many things that have to be done to stay abreast of technological advances. The industry did not follow our lead at all. Just the opposite—it went the other way, to a point where Zenith found itself from time to time throughout the year out of line from a pricing standpoint. That cost us some money and cost us some volume.

If I had 1981 to live over again I would adopt a much more aggressively competitive attitude, which I will tell you we intend to do in 1982.

What do you mean by a 'more aggressive' attitude? Will this mean more price-competitiveness?

Zenith will be more competitive from a pricing standpoint, and will also have continuing introduction of high-technology products that we think offer excellent growth opportunity in the years ahead.

How are retailers accepting these high-technology products?

Two types of merchants are developing today in our business. One type is committed to chasing the price-point sale, at $299 for a 13-inch color set or $349 for a

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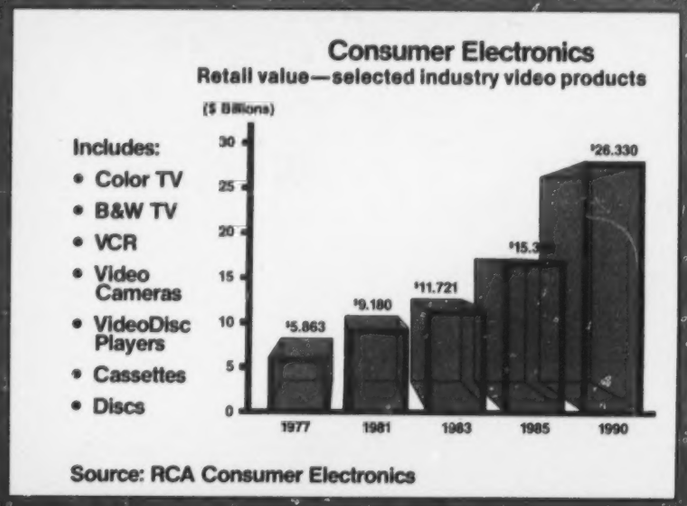
1980s 'explosive period' for electronics: RCA



[Continued on page 28]

Audio forecasts 'flat as a pancake,' but suppliers hope for a fall surge

Retailers need to hone their business management skills, according to audio manufacturers

Are audio manufacturers cautiously optimistic or optimistically pessimistic in their outlooks for 1982?

That's a tough one to determine. Because while no supplier MART spoke with in mid-December offered a "blue-sky" forecast, many did couch their predictions in phrases such as, "The industry's flat, but my company's not," or "We haven't given up; 1981's not quite over yet!"

What does the future hold for audio retailers? In plain English, sales for most dealers and manufacturers have been, at best, flat, and that trend should continue through much of the first half of 1982.

The market could be blessed with an upturn in spring, if interest rates continue to slide and retail credit becomes more available. If not, retailers should keep an eye open for a possible "boomlet" in fall when consumers who socked away savings in an "All-Savers Certificate" recollect their cash.

"We're not losing our enthusiasm," Sam Rosenzweig, Kenwood Electronics' director of marketing, home entertainment division, told MART. "The market is soft, but business is still out there. Credit is an issue, though: with interest rates high, people in the market now have to buy with cash. A lot of retailers are not dealing in credit, and a lot of consumers can't afford to pay cash on large-ticket items."

But rather than sit and wait for traditional credit lines to loosen up, Rosenzweig advocates an aggressive pursuit of alternatives.

[Continued on page 26]

MART MONEY MAKER

'If your store carries video accessories or records in addition to prerecorded video cassettes, offer tie-in promotions. Offer a tape of a movie and a special savings on an accessory or the soundtrack album, if available.'

Robin Montgomery, Director of Marketing, Columbia Pictures Home Entertainment

Shortages loom this year in video tape

Shortages of blank video tape are likely to continue through most of this year, and possibly into 1983 as well, according to a number of firms marketing video software.

But despite the availability crunch, these suppliers believe, price erosion at retail continues to be seen in the blank-tape market.

Mark Dellafera, director of marketing for BASF Systems, for example, told MART, "The price erosion that had been going on all fall accelerated as it got closer to Christmas. I don't really see any price stablization coming until sometime this year."

John Dale, vice president and general manager of Fuji Photo Film's magnetic tape division, agreed. "Price erosion at retail is a major problem in the blank-tape market," he commented at the recent International Tape/Disc Assn. video seminar. "A lot of dealers are trying to give the tape away, and that's one reason why there are so many failures in the video business."

Ed Pessara, national video products manager for TDK Electronics, told MART, "Price erosion is going on not only with

[Continued on page 24]

1980s will be 'explosive' for video: RCA

[Continued from page 9]

Sales of video recorders should range between 2 and 2.3 million units this year, according to Valencia, "depending on inventory." Of that VCR volume, about 35 percent of the sales should be portables; he expects the industry to sell 210,000 video cameras as well.

Black-and-white TV, the only video category not forecast for strong gains during the 1980s, should "plateau in the 5.5- to 6-million-unit range this year and through the mid-decade, Valencia said. About 70 percent of the monochrome volume is done in the 12-inch category, he said, adding, "The 12-inch sets are used as a catalyst by promotional accounts to bring people into the store and then hopefully sell them another set."

And what about RCA's newest product, the video disc player? Having been burned in the past by previous sales projections, Sauter is not forecasting industry or RCA disc sales for this year for publication. As of mid-December, however, he was estimating 1981 sales of RCA's player at about 100,000 units sold to dealers, with about 60,000 of those reaching the consumer by the end of the year. Consumers are buying an average of from 18 to 20 discs per player, he added.

Retailers' attitudes toward the SelectaVision player are also "quite positive," according to Sauter: "We're seeing a definite change of attitude among retailers, and we're getting more and more requests from dealers who want to expand their disc programs."

To help keep its disc-player sales moving, RCA kicked off a new promotion right after Christmas that will run at least until early February, and perhaps may be extended. In addition to the $50 rebate offered to player purchasers, the company is now offering a second option: instead of the rebate, the consumer may choose three free discs from a list of about 28 titles.

RCA also plans to continue its heavy broadcast and print ad campaign for the product through the first quarter: "We want to position the player for a very strong second half," Sauter commented.

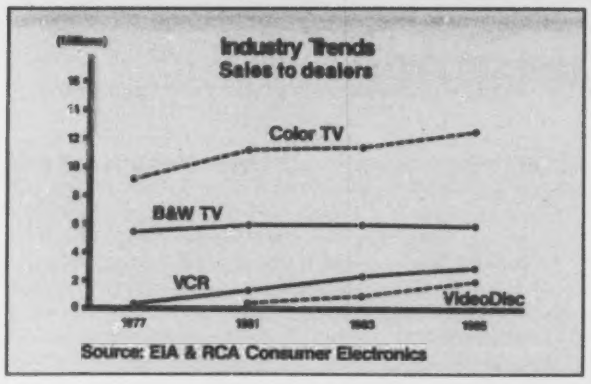
Merely cutting the player's price is not an option RCA will use to boost sales, however, he declared: "Pure price is not an effective merchandising tool for the disc if we were all to do just that. We have to incentivize, stimulate the consumer about the product and what it can do. We have to find every angle we can to generate consumer interest—and you can't do that at $299."

And although some retailers are selling CED players at about that level, "I do not think $299 will be a major price point in 1982," Sauter added. "If competitors' stereo disc players come in later this year at around $500, that's some step up. Anyway, the effective price of our player to the consumer today is considerably less than $499, because of retail discounting—and the consumer loves a bargain!"

RCA has not yet set the final price on its own stereo disc player, to be introduced to the firm's distributors in May, "but there will be a differential from the monaural player," he said. ■

CATHY CICCOLELLA

Consumer Electronics



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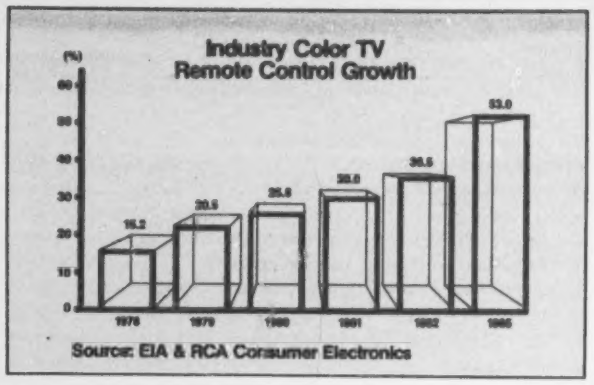

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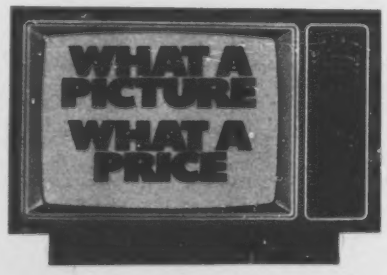
Retail's Never Easy...

But Philco Can Help You Keep The Wolf From The Door

Inflation, tight money, shoddy workmanship, cutthroat competition... now more than ever they're out there. Waiting to eat you alive. If you'd like to protect yourself, maybe now is the time to take a good look at Philco. Because Philco has the kind of color TV that consumers are hungry for... a good picture at a good price. Traditional American knowhow creating a modern American value. It's a price and picture story you can really get your teeth into.

Satisfied customers are great, but satisfied dealers are just as important. And that's our specialty. Because the Philco story translates into margin and movement for the retailer. Margins that give you an edge in the fight for profits, and movement that allows for intelligent inventory control.



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PHILCO... Famous for Quality the World Over

Major Appliances

Slight upturn in '82 predicted by gas-appliance execs

The expectations of Gas Appliance Manufacturers Assn. members who participated in a recent consensus survey of anticipated shipments of appliances in 1982 are that gas products will show an upward trend.

According to GAMA president Harry Paynter, the manufacturers' optimism indicates support and confidence in government's efforts to fight the growth of inflation.

But whether the expectations expressed by the appliance manufacturers will be fulfilled depends totally on whether the economy will cooperate with the government's anti-inflationary plans.

And, Paynter made clear that economic conditions had deteriorated somewhat since the survey responses were made.

One positive aspect of the economy, according to Paynter, is the beginning of a drop in interest rates. A continued lowering of rates would spur activity in the homebuilding industry. This would provide a boost in appliance shipments, and the rest would be dependent on consumer purchasing of replacement products.

Paynter feels much consumer purchasing has been postponed recently due to economic considerations. But if consumer confidence in economic policies is maintained, and lower interest rates are realized so financing of large purchases is more palatable, the appliance industry can only benefit, he said.

He added that gas appliances in particular would have an advantage in this situation, since new energy-efficient models allow the consumer to save the most in fuel dollars. ■

Annual unit sales volumes of gas appliances

	1980 actual	1981 industry consensus	1982 industry consensus	Percent change 1981-1982
Free-standing ranges	1,332,400	1,332,100	1,402,200	+5.3
High-oven ranges	104,400	98,300	103,100	+4.9
Built-in ranges	101,700	102,800	109,100	+6.1
Total residential gas ranges	1,538,500	1,533,200	1,614,400	+5.3

MART MONEY MAKER

Modern consumers want products that look high-tech, sophisticated, perhaps fashionable, yet certainly practical.

—Edward Mackin, Maverick Industries

Maverick Industries formed to market line of high-tech grills

A new firm, Maverick Industries, has been formed to market a line of portable electric and charcoal outdoor barbecue grills, designed and priced to appeal to upscale consumers.

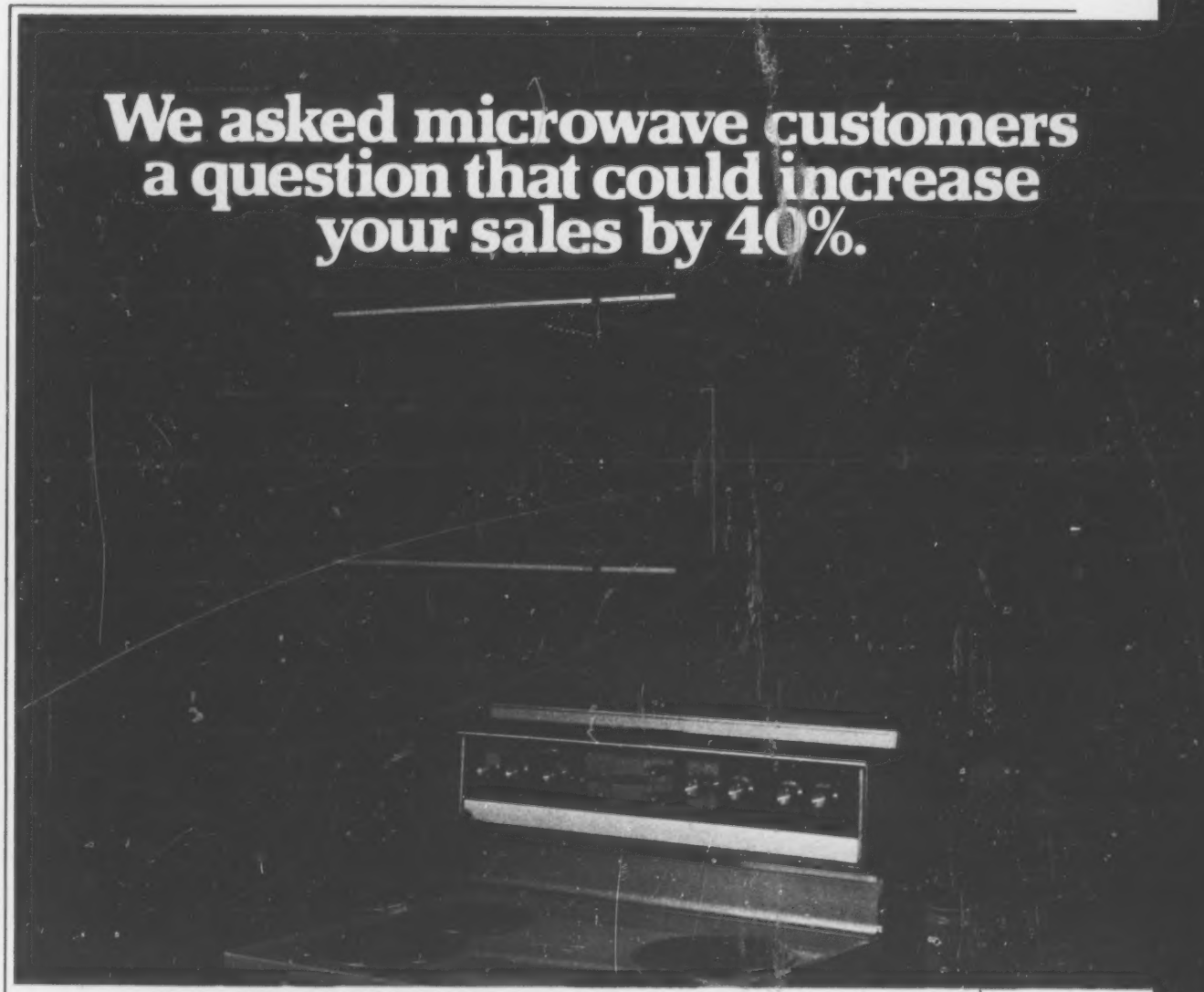
The company will introduce the new line at the Housewares Show in Chicago this month.

Company President Edward Mackin commented, "We know from our research that many consumers aren't satisfied with traditional barbecue styling. These modern consumers want products that look high-tech, sophisticated, perhaps fashionable, yet certainly practical. Cuisinart and Sony are perfect examples of companies with similar design approaches."

Maverick is planning a consumer advertising program to begin in late Spring; the program will include network television. In addition, the company plans colorful point-of-purchase materials and a carton/package that can be used both for display for selling the product, and as a gift box.

The suggested retail price range of the electric models is $80 to $280. Higher-priced models will include rolling carts. ■

We asked microwave customers a question that could increase your sales by 40%.

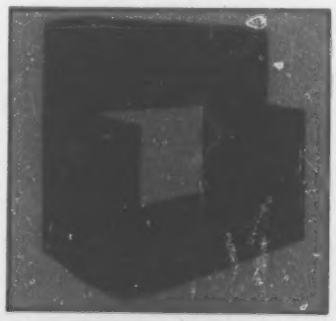


The new MicroMate™ combination range hood and microwave shelf is the 40% answer.

Next year over four million microwave ovens will be sold in the U.S. And when two independent testing agencies asked potential customers about the new MicroMate combination range hood and microwave shelf, they got some amazing answers. In each study, over 40% of the consumers said they would buy MicroMate to put their microwave where it belongs ... off the counter and over the range.

With a MicroMate Range Hood, there's no more lost counter space or crowded working areas. It's designed to fit virtually any brand of microwave oven and can be installed ducted or ductfree in any kitchen.

MicroMate features a quiet, yet powerful dual centrifugal blower to remove smoke and cooking grease from the air. There is a solid state, variable speed control. A 24" fluorescent tube lights up the cooking area. Only MicroMate brand offers your customers the exclusive "Heat Sentry"™ to protect their microwave from excessive range heat. And it's built by Nautilus a leader in kitchen ventilation for 50 years.



Best of all, the MicroMate Range Hood is a high margin, high quality product. MicroMate will help you close microwave sales, and generate additional sales to current microwave owners. Either way, you'll add to your sales and make bigger profits.

Call for your Nautilus representative today: 800-558-1717. He'll give you complete details. Your customers will love what MicroMate does for their kitchens, and you'll love what it does for your sales.

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